

Committee on Agriculture

Status

The WTO Committee on Agriculture oversees implementation of and adherence to the Agreement on Agriculture. It provides a vital forum for consultation and, in many cases, resolution of issues resulting from the commitments made in the Uruguay Round. The Committee is also charged with monitoring the follow-up to the 1995 Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least Developed and Net Food Importing Developing Countries.

During 1999, the Committee concluded its work on the Analysis and Information Exchange (AIE) that had been mandated by the WTO's 1st Ministerial Conference in Singapore. The AIE was charged with reviewing issues arising out of the implementation of the Uruguay Round Agreement and identifying possible areas to address in the continuation of the agriculture reform process, mandated as part of the WTO's built-in agenda.

Assessment of the First Five Years of Operation

The Agreement on Agriculture represents a major step forward in bringing agriculture more fully under WTO disciplines. The creation of new trade rules and specific market-opening commitments has transformed the world trading environment in agriculture from one where trade was heavily distorted and basically outside effective GATT disciplines to a rules-based system that quantifies, caps and reduces trade-distorting protection and support. Prior to the establishment of the Agreement, Members were able to block imports of agricultural products, provide essentially unlimited production subsidies to farmers, and dump surplus production on world markets with the aid of export subsidies. As a consequence, U.S. farmers and ranchers were denied access to other countries' markets and were undercut by subsidized competition in world markets.

The WTO Agreement on Agriculture set out a framework that imposed disciplines in three critical areas affecting trade in agriculture.

1. First, the Agreement places limits on the use of export subsidies. Products that had not benefitted from export subsidies in the past are banned from receiving them in the future. Where Members had provided export subsidies in the past, the future use of export subsidies was capped and reduced.
2. Second, the Agreement set agricultural trade on a more predictable basis by requiring the conversion of non-tariff barriers, such as quotas and import bans, into simple tariffs. Currently, trade in agricultural products can only be restricted by tariffs. Quotas, discriminatory licensing, and other non-tariff measures are now prohibited. Also, all agricultural tariffs were "bound" in the WTO and made subject to reduction commitments; a decision by a Member to impose tariff rates above a binding would violate WTO obligations. Creating a "tariff-only" system for agricultural products is an important advance, yet too many high tariffs and administrative difficulties with tariff-rate quota systems that replaced the non-tariff barriers continue to impede international trade of food and fiber products.
3. Third, the Agreement calls for reduction commitments on trade-distorting domestic supports, while preserving criteria-based "green box" policies that can provide support to agriculture in a manner that minimizes distortions to trade. Governments have the right to support farmers if they so

choose. However, it is important that this support be provided in a manner that causes minimal distortions to production and trade.

As a result, farmers all over the world benefit from access to new markets and improved access to existing markets, face less subsidized competition, and now have a solid framework for addressing agricultural trade disputes. Yet it is clear that full agricultural reform is a long-term endeavor. Hence, the Agreement also called for new negotiations on agriculture beginning in 1999, as part of the “built-in” agenda of the WTO.

The Committee on Agriculture has proven since its inception to be a vital instrument for the United States in monitoring and enforcing agricultural trade commitments that were undertaken by other countries in the Uruguay Round. Members agreed to provide annual notifications of progress in meeting their commitments in agriculture, and the Committee has met frequently to review the notifications and monitor activities of Members to ensure that trading partners honor their commitments.

Under the watchful eye of the Committee, Members have, for the most part, been in compliance with the agricultural commitments that they undertook in the WTO. However, there have been important exceptions where clear violations of Uruguay Round commitments have adversely affected U.S. agricultural trade interests. In these situations, the Agriculture Committee has frequently served as an indispensable tool for resolving conflicts before they become formal WTO disputes. The following are some examples:

- < Resolution of issues related to the use of export subsidies in Hungary, benefitting U.S. exports of grains, fruits and vegetables by nearly \$10 million.
- < Elimination of restrictions on beef imports by Switzerland that affected approximately \$15 million in U.S. exports.
- < Resolution of issues related to access for pork and poultry in the Philippines. In the case of pork, resolution of this issue meant additional U.S. exports of up to \$70 million, and in the case of poultry, of up to \$20 million.
- < Resolving issues associated with Turkey’s imposition of a tax on imported cotton, important to U.S. exports of more than \$150 million.
- < Resolution of issues related to the implementation of a tariff-rate quota on poultry in Costa Rica helped to triple U.S. exports to that country in 1998.
- < Questioning Canada concerning a milk pricing scheme that appeared to be in violation of Canada’s export subsidy commitments. Building on a process that began with the Committee’s discussion, the United States eventually won a WTO dispute settlement case on this issue, benefitting U.S. exporters by reining in unfairly subsidized dairy exports from Canada.

Major Issues in 1999

In 1999, the Committee on Agriculture remained an effective forum for raising agricultural trade issues of concern to participating Members. The United States played a leading role in the Committee’s activities, working with other countries to ensure broad-based compliance with WTO commitments on agriculture.

The Committee held four formal meetings, in March, June, September and November of 1999. Over the course of these meetings, WTO Members provided detailed notifications to the Committee on their adherence to the commitments they undertook in the Uruguay Round related to export subsidies, market access and domestic supports. As a result of the Committee’s strong history of vigilance on required

notifications since the conclusion of the Uruguay Round, most Members conscientiously supply the required information. The United States and other Members also examined ways to streamline the notification requirements on market access commitments, export subsidies, and domestic support.

In November, the Committee conducted its annual monitoring exercise on the possible negative effects of agricultural reform on least developed and net food importing countries. In this review, the Food and Agriculture Organization (FAO) reported that the combined cereal import bill of least-developed and net-food importing countries in marketing year 1998/99 was down 15 percent from the previous year. This decline reflects a small reduction in the volume of imports but, more substantially, much lower average prices paid for imports.

The following are some of the more important specific issues that were raised in the Committee:

Notifications: The Committee reviewed more than 250 notifications detailing the implementation of market access commitments, particularly with regard to tariff-rate quota commitments and the special agricultural safeguard, and compliance with export subsidy and domestic support commitments. Generally, the rate of compliance with notification obligations and the scope of country participation has been good. Most major U.S. trading partners are in compliance with the notification obligations.

Member-specific issues: The Committee also provides the opportunity to clarify or resolve specific policies and issues of interest to Members. During 1999, issues raised included use of unused export subsidies from previous years in the current year, or the so-called “rollover” provisions (European Union, Turkey, United States); noncompliance with export subsidy commitments leading to modifications in the use of those measures (Poland, Thailand); domestic support programs (EU, the Republic of Korea, Thailand, Norway, United States, Czech Republic) inadequate implementation of tariff-rate quota commitments (Venezuela, South Africa, Czech Republic, the Republic of Korea, Japan); compliance with tariff bindings (Panama, Chile); and, inappropriate application of agricultural safeguards (Republic of Korea). The United States also questioned the Republic of Korea about market access restrictions on U.S. beef; this issue is now in formal dispute settlement.

Analysis and Information Exchange. In addition to its work on the specific trade issues mentioned above, the Committee continued its work in the informal AIE forum, prompting a wide-ranging exchange on topics of relevance to the built-in agenda negotiations on agriculture. More than 80 papers on issues affecting agricultural trade reform were presented during the AIE process. The United States submitted papers on a number of trade issues, including the administration of tariff-rate quotas and trade in products involving new technologies. Issues raised by other Members included non-trade concerns, special and differential treatment for developing countries, export credits, and domestic support. Although the forum was curtailed in September 1999, as mandated by the Singapore Ministerial, the AIE process proved vital in preparing and identifying areas of interest for the new negotiations on agriculture.

Work for 2000

The United States and other like-minded Members will focus considerable attention in 2000 on developing the procedures and framework for the mandated negotiations on agriculture. Work on agriculture negotiations will proceed in the Committee on Agriculture in Special Session, beginning on March 23-24, 2000. This situation does not mean, however, that the work and scrutiny of the Committee on Agriculture will be lessened, and its activities during the year 2000 will complement the ongoing negotiations on agriculture. The main focus of the Committee, however, will continue to be ensuring timely notification and enforcement of Uruguay Round commitments. Members will give particular attention to problems revealed in the notifications covering market access, export competition, and domestic support. In addition to monitoring compliance with commitments, the Committee will continue reviewing the mechanisms and the

processes Members use to implement their Uruguay Round commitments, monitoring the effects of implementation on net-food importing developing countries and will continue identifying emerging agricultural issues.